

Clay-Union Electric Corporation

P.O. Box 317

Vermillion, South Dakota 57069

Phone (605) 624-2673

Fax (605) 624-5526

September 8, 2003

Mr. Robert Harris, Regional Manager
Upper Great Plains Region
Western Area Power Administration
2900 4th Avenue North
Billings, Montana 59101-1266

Dear Mr. Harris:

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Please accept this letter as Clay Union Electric's comments for the record on the proposed rate increase for the Pick Sloan Missouri Basin Program Firm Power Customers published in the Federal Register on June 13, 2003.

Clay Union Electric is a distribution cooperative serving over 3100 meters in southeastern South Dakota. Clay Union Electric is a wholesale power supply member of East River Electric, who is a significant purchaser of federal hydropower.

With respect to the proposed rate increase, we submit the following comments:

1. Rate Increase Implementation Process:

Based on information described in the June 13, 2003 Notice, the Western proposal is to increase the base rate an average of 15.4% beginning January 2004. We strongly urge Western to adopt the "two step phase in" option, which will provide the revenue required by law and at the same time provide some relief from a substantial rate adjustment. The "two step phase-in" process would also provide better wholesale/retail transition on behalf of the end consumer.

2. Tiered 60% Load Factor Rate:

In the June 13, 2003 Notice, Western also has proposed to increase the tiered rate for monthly energy over 60% by a significant 114%. With such a substantial change we encourage Western to reevaluate the process to increase tiered rate. It appears from the size of the rate increase that the need for change did not just occur in the past fiscal year and must be the result of a number of years of imbalance. If the Western cost studies indicate that such an imbalance does currently exist, a schedule should be established that reduces this imbalance over a number of years.

